TESTIMONY OF

PAUL BRINKLEY

SPECIAL ASSISTANT TO THE UNDER SECRETARY OF DEFENSE

(ACQUISITION, TECHNOLOGY, & LOGISTICS)

FOR BUSINESS TRANSFORMATION

BEFORE

THE UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

GOVERNMENT MANAGEMENT, FINANCE, AND ACCOUNTABILITY

SUBCOMMITTEE

June 8, 2005

Business Systems Transformation – Status, Challenges, and Path to Success

Mr. Paul Brinkley
Special Assistant to the Under Secretary of Defense (AT&L)
For Business Transformation

Chairman Platts, Congressman Towns, and Members of the Committee:

Thank you for this opportunity to appear before you to discuss the Department's
Business Systems Modernization and Business Transformation initiatives. I am Paul
Brinkley, Special Assistant to the Under Secretary of Defense (AT&L) for Business
Transformation. I joined the Department in the fall of 2004 from private industry, and
am responsible for the leadership of the Department's business transformation initiatives,
and specifically, the Business Management Modernization Program (BMMP).

As Mr. Modly indicated, we are working together aggressively to address issues
regarding business systems modernization and the management oversight of investments
in business systems across the Department. The Government Accountability Office
(GAO) has been very open in their input and counsel regarding all aspects of business
systems modernization and the challenges we face in this area. We look forward to a
continued productive dialogue with our GAO colleagues as we move the program to
rapidly implement streamlined processes and seamless information access – with
resultant measurable improvements in financial transparency and systems simplification.

Successful business transformation initiatives in the private sector have the following characteristics:

- They are driven to improve the ability of the organization to service their customer.

- They are aligned to leverage the managerial structure of the organization to ensure accountability.

- They are focused on end-to-end business process improvement, breaking down barriers to information flow within an organization.

Originally, the BMMP program was oriented to achieve the primary objectives of a clean department-wide financial audit enabled by a net reduction in the number of information technology systems that support business operations. The scope of the effort-to-date has been DOD-wide, and has applied a comprehensive top-down architectural development approach to affect business transformation.

A significant foundation for future deployment work has been laid as a result of this effort over the past four years. I want to take a moment and focus on a few examples of value we have created in the program to date – value I believe forms a foundation for the rapid improvements we are committed to delivering.

We have established data standards at the Departmental level that, when deployed, will enable visibility and valuation of key assets throughout their lifecycle – greatly benefiting the warfighting mission in addition to our financial management objectives. The use of unique identification (UID) – data fields that uniquely identify weapon systems, materiel assets, real property, and other key support elements to the warfighting

mission, is at the core of this data standardization effort. The establishment of standards for active and passive Radio Frequency Identification (RFID), enabled by new materiel transaction standards common to private industry will vastly improve the ability to execute and track materiel shipments seamlessly from theatre to point of origin for shipments. Mr. Modly described the effort to establish standard financial accounting data structures that have recently been published. These are a few examples of value created by the business transformation effort.

We have assessed and realigned the business transformation program to leverage the architecture development effort to date, while quickly transitioning from architecting to implementing rapid business process improvement in support of the warfighter. This alignment establishes a shared mission and an associated sense of urgency to implement new capabilities and streamlined business processes. It is difficult to drive a change in business systems when the incentive to the end user is a high level financial objective or a net reduction in IT systems. I believe, however, that when the goal is clearly aligned to an objective as overarching in its importance as support to the warfighting mission, we will have the ability to drive far more rapid change.

In private industry, I had the opportunity to lead large scale business transformation within multinational corporate environments resulting from merger and acquisition activity. These initiatives often involved the collective effort of thousands of people speaking different languages, using different currencies, working within highly diverse corporate and national cultures, who often did not initially share a collective view

of the goals of the corporation. Yet I have witnessed such organizations coming together to achieve remarkable change by aligning their effort to a shared mission.

In my time at the Department, it has become clear that at each tier of the organization there is a passionate desire to support the warfighters in their critical national security mission, and to do whatever it takes to make their job more efficient and effective and to support the Department goals easier and to keep them safe. Our realignment of the BMMP ties business systems modernization investments directly to business process improvements that measurably support the warfighting mission. Streamlined business processes are by their very nature more financially transparent than siloed or fragmented business processes. Streamlined business processes are by their very nature reliant on a smaller number of modernized business systems. Achieving the objectives of financial transparency and systems simplification are accelerated by this focus on process improvement. If multinational companies, striving to improve their quarterly financial performance, can come together to achieve transformed business operations, I am confident we can realize far greater improvements in the Department of Defense as long as we focus on servicing our valued customer -- the warfighter.

To achieve this we have structured the program to prioritize business system modernization investments based on their impact to five core business missions:

- Human Resource Management.

- Weapon System Lifecycle Management

- Materiel Supply & Service Management

- Real property and Installation Lifecycle Management

- Financial Management

Each of these core business missions will ensure that business system investments enable end-to-end business processes, and that these investments are prioritized based on their rapid benefit to the warfighter. The BMMP program is focused on working across these five missions to ensure they work in coordination.

Finally, we have established a tiered accountability model for the Department's transformation effort. In a large multinational corporate environment, business systems modernization is a tiered activity, with each level of the organization responsible for defining clear transformation goals and objectives associated with their own tier of responsibility, while complying with and enabling transformational goals at the corporate level. The seams or interfaces between each layer are also defined and enforced, to ensure that necessary information can flow upward to support rapid decision making at the appropriate level. Within each tier or echelon of the organization, the accountability for transformation is assigned to the appropriate management level.

Today the DOD operates within a federated management structure. The Military Services and Defense Agencies are allocated significant autonomy to execute their business operations, and to invest in corresponding business systems, in support of their respective missions. The traditional role of the Office of the Secretary of Defense (OSD) has generally been regulatory in nature – focused on setting and enforcing policy, not on managing operations to achieve defined business objectives. Within such a structure, the business transformation program must leverage the tiers of the organization to create

accountability for investments to drive change, while ensuring appropriate information visibility is enabled to support rapid managerial decision making.

The BMMP is now aligned to have the top-level architecture effort focused on the clear definition of department-wide business rules, business capabilities, data standards, and in some cases, business systems, along with their associated interfaces. This revision of the DOD Business Enterprise Architecture (BEA,Version 3.0) is in final development, and will be released by September 30 as required in the Fiscal 2005 National Defense Authorization Act (NDAA). This architecture is being developed in collaboration with representatives of all "DOD-wide" players, including the Defense Logistics Agency (DLA), the Defense Finance and Accounting Service (DFAS), US Transportation Command (USTRANSCOM), the Defense Human Resource Agency, among others.

In a parallel and complementary effort to this architecture revision, a detailed transition plan is in final development, also for release by September 30. This plan provides actionable milestones for the achievement of the content within the DOD BEA 3.0. Specifically, each materiel data standard, financial accounting structure, business rule, human resource management system – all elements of the DOD level BEA will have a corresponding implementation schedule for compliance by all tiers of the Department. These schedules are being developed in close collaboration with the Military Services and Defense Agencies. Each Military Service and Defense Agency will be responsible for defining their own respective transformation plan – which must align to the DOD level requirements, but otherwise be focused on transformation of their own respective business mission and systems environment in support of the warfighter.

This tiered approach is consistent with industry best practices. Taking this approach breaks the overwhelming scope of DOD Business Systems Modernization effort into appropriately sized activities, each with focused management accountable for results. OSD will be accountable for its own tier of management responsibility for direct investments in corporate-level systems transformation, while also overseeing the execution of tiered transformation efforts at each level of the department.

So how does this all add up to better business systems investment oversight and address the concerns we have identified and that GAO has articulated in their report?

Each business mission will have an associated business system Investment Review Board (IRB) that will assess annual business system modernization investments in excess of $1M and assert to the benefit to business process improvement in support of the warfighter, and to their compliance to the DOD BEA requirements. The Defense Business Systems Management Committee (DBSMC), chaired by Acting Deputy Secretary Gordon England, will formally certify these system modernization investments, following the IRB assertion. Beginning in FY06, obligation of funds for business systems modernization in the absence of DBSMC certification will result in an Anti-Deficiency Act violation. This business system investment review process, now being established for execution beginning this summer, aligns our investment oversight with the new business mission focused structure of BMMP and ensures that our investments are aligned to measurable process improvements in support of the warfighter. This new process also fully complies with the statutory requirements of the FY05 NDAA.

As the imperatives of joint warfighting begin to drive common business practices, the need for higher and higher levels of collective Department-wide effort will increase over time. The tiered management structure of the BMMP allows the DOD level architecture to be clearly articulated and implemented today, with the potential for growth at the discretion of the DBSMC as driven by warfighting requirements.

I have a great deal of confidence that, leveraging this warfighter focused governance structure with tiered accountability for transformation, we are positioned to drive significant improvement in our business processes, financial accountability, and systems complexity. In closing Mr. Chairman, I thank you for the opportunity to testify before the Committee about the Department's Business Systems Modernization efforts. I am prepared to answer your questions.